

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 1748 – SB 1786**

March 7, 2018

**SUMMARY OF ORIGINAL BILL:** Redesigns motor vehicle registration plates to feature the Tri-Star symbol of the Tennessee flag. Requires a contest, open to art students enrolled at Cleveland State Community College, to be arranged for the design and selection of the new registration plate. The redesigned registration plates are to be issued at the time of the issuance of a registration plate, upon existing inventory of plates being exhausted.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Revenue – Net Impact – \$14,000/TRICOR

Increase State Expenditures – Net Impact – \$25,000/Highway Fund

**SUMMARY OF AMENDMENT (014148):** Deletes all language after the enacting clause. Redesigns motor vehicle registration plates, commencing January 1, 2020, to feature the Tri-Star symbol of the Tennessee flag. The redesigned registration plates are to be issued at the time of the issuance of a registration plate, upon existing inventory of plates being exhausted.

Establishes that in any fiscal year in which there is a loss in revenue to the Tennessee Arts Commission (the Commission) directly resulting from the reissuance of the redesigned registration plate, and total revenue to the Commission for such fiscal year is less than \$4,500,000, then a sum shall be earmarked and allocated from the General Fund to the Commission equal to the difference between total revenue collections to the Commission for that fiscal year and \$4,500,000.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

Increase State Revenue – Net Impact –  
\$14,000/FY19-20 and Subsequent Years/TRICOR

Increase State Expenditures – Net Impact –  
\$25,000/FY19-20 and Subsequent Years/Highway Fund

Other Fiscal Impact – To the extent that revenue to the Tennessee Arts Commission from sales of license plates falls below \$4,500,000 in any given fiscal

**HB 1748 – SB 1786**

**year, and it is determined that the loss of revenue is a direct result of the reissuance of the redesigned Tri-Star license plate, there will be a transfer of funds from the General Fund to the Commission equal to the difference between total revenue received by the Commission and \$4,500,000. Due to multiple unknown factors, the timing and extent of such transfers, if any, cannot be determined with reasonable certainty.**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 55-4-103(h), the Department of Revenue is required to reissue a new motor vehicle registration plate of a design as directed by the Commissioner of the Department beginning January 1, 2006, and not later than each eighth anniversary thereafter, if funds for such purpose are appropriated specifically in the general appropriations act.
- There are currently no plans to redesign the existing registration plate in the foreseeable future.
- Approximately 100,000 standard registration plates are produced each month under current law. Such production is required to satisfy inventory needs which vary significantly by county.
- These newly produced plates are primarily used for new residents and new registrations, as most of the existing registration plates that have already been issued are retained upon motor vehicle registration renewals. Therefore, the majority of plates with the current design are considered exhausted, except for a smaller portion which are held primarily for new residents and new registrations.
- Upon passage of this legislation, the Department will replace the regularly produced standard registration plates with the redesigned plates featuring the Tri-Star symbol. There will not be a significant increase in state expenditures associated with the redesign and production of such plates. These plates will be used to satisfy inventory needs of counties for new residents and new registrations.
- Approximately 5,500,000 motor vehicles are registered with a regular registration plate; an additional 50,000 vehicles are registered with a personalized registration plate, for a total of 5,550,000 registration plates.
- Pursuant to Tenn. Code Ann. § 55-6-101(a)(6), an owner of a motor vehicle is authorized to obtain a new license plate upon a payment of a fee to the Department of up to \$2.00.
- The Tennessee Rehabilitative Initiative in Correction (TRICOR) produces license plates pursuant to its agreement with the Department.
- For these types of plates, TRICOR incurs production costs of \$2.22 per license plate, and is compensated \$2.50 per plate by the Department.
- Public Chapter 429 of 2017 authorized the issuance of a license plate with the language “In God We Trust” (IGWT plates), effective July 1, 2017. According to the Department, an initial order of 399,600 IGWT plates was produced prior to the July 2017 issuance and no additional orders have been made as of February 5, 2018.

- Currently, there are 78,862 active registered IGWT plates; 17,617 of those were obtained by registrants who already had a license plate and who elected to switch to the IGWT plate and pay the \$2.00 fee.
- Based on this information, it is assumed that approximately 50,000 existing license plates will be replaced each year with the redesigned license plate incorporating the Tri-Star symbol, beginning with FY19-20.
- The Department will collect a fee of \$2.00 for each such plate, for a recurring increase in revenue of \$100,000 (50,000 license plates x \$2.00 fee per plate).
- TRICOR will incur recurring production, warehousing, and transportation costs of \$111,000 (50,000 license plates x \$2.22 cost per plate). TRICOR will be compensated by the Department, pursuant to their agreement, resulting in a recurring increase in revenue to TRICOR, and an equivalent recurring increase in expenditures to the Department, of \$125,000 (50,000 license plates x \$2.50 revenue per plate).
- Therefore, the net recurring increase in revenue to TRICOR will be \$14,000 (\$125,000 compensation - \$111,000 cost). The net increase in expenditures for the Department in each of those years will be \$25,000 (\$125,000 payment to TRICOR - \$100,000 fee revenue). Such impacts will be incurred beginning with FY19-20.
- Pursuant to Tenn. Code Ann. § 55-6-107(a), 98 percent of the proceeds of all registration fees are apportioned to the Highway Fund, and 2 percent are apportioned to the General Fund. From the distribution to the Highway Fund, revenue is to be allocated to the General Fund, through the annual appropriations act, in an amount sufficient to fund the cost of issuing motor vehicle license plates. Therefore, the net recurring increase in expenditures for the Department of \$25,000 will be annually appropriated and is reflected as a recurring increase in expenditures to the Highway Fund in this fiscal analysis.
- The proposed legislation requires a transfer of funds from the General Fund to the Commission equal to the difference between total revenue collections to the Commission for that fiscal year and \$4,500,000, in any fiscal year in which there is a loss in revenue to the Commission directly resulting from the reissuance of the redesigned registration plate, and total revenue to the Commission for such fiscal year is less than \$4,500,000.
- The Commission receives revenue from the sales of new specialty license plates, cultural license plates, and personalized license plates. It is assumed that the \$4,500,000 threshold established by this legislation applies to the Commission's revenue received from sales of such plates.
- Based on information provided by the Commission, over the last six years, the Commission received an average of \$4,597,738 in revenue each year from sales of such license plates. Further, over that same time period, annual revenue was less than \$4,500,000 only in one year (\$4,477,048 in 2016), while revenue to the Commission in 2017 totaled \$4,743,096.
- To the extent that revenue to the Commission from sales of license plates falls below \$4,500,000 in any given fiscal year, and it is determined that the loss of revenue is a direct result of the reissuance of the redesigned Tri-Star license plate, there will be a transfer of funds from the General Fund to the Commission equal to the difference

between total revenue received and \$4,500,000. Due to multiple unknown factors, the timing and extent of any such transfer cannot be determined with reasonable certainty.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb